

By: Chisum, Eissler, Branch,
Howard of Fort Bend, Hartnett, et al.

H.B. No. 1

A BILL TO BE ENTITLED

AN ACT

relating to public school finance, property tax relief, and related matters; making an appropriation.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF TEXAS:

ARTICLE 1. PUBLIC SCHOOL FINANCE AND PROPERTY TAX RELIEF

SECTION 1.01. Section 41.002(a), Education Code, is amended to read as follows:

(a) A school district may not have a wealth per student that exceeds \$305,000, plus an amount determined under Section 42.2516(i).

SECTION 1.02. Section 42.101, Education Code, is amended to read as follows:

Sec. 42.101. BASIC ALLOTMENT. For each student in average daily attendance, not including the time students spend each day in special education programs in an instructional arrangement other than mainstream or career and technology education programs, for which an additional allotment is made under Subchapter C, a district is entitled to an allotment of \$2,537, plus an amount determined under Section 42.2516(i). A greater amount for any school year may be provided by appropriation.

SECTION 1.03. Subchapter E, Chapter 42, Education Code, is amended by adding Sections 42.2516 and 42.261 to read as follows:

Sec. 42.2516. ADDITIONAL STATE AID FOR TAX REDUCTION. (a) Subject to Subsection (e), but notwithstanding any other provision

1 of this title, a school district is entitled to the amount of state
2 revenue necessary to maintain state and local revenue per student
3 in weighted average daily attendance in the amount equal to the
4 greater of:

5 (1) the amount of state and local revenue per student
6 in weighted average daily attendance for the maintenance and
7 operations of the district available to the district for the
8 2005-2006 school year;

9 (2) the amount of state and local revenue per student
10 in weighted average daily attendance for the maintenance and
11 operation of the district to which the district would have been
12 entitled for the 2006-2007 school year under this chapter, as it
13 existed on January 1, 2006, or, if the district would have been
14 subject to Chapter 41, as that chapter existed on January 1, 2006,
15 the amount to which the district would have been entitled under that
16 chapter, based on the funding elements in effect for the 2005-2006
17 school year, if the district imposed a maintenance and operations
18 tax at the rate adopted by the district for the 2005 tax year; or

19 (3) the amount of state and local revenue per student
20 in weighted average daily attendance for the maintenance and
21 operation of the district to which the district would have been
22 entitled for the 2006-2007 school year under this chapter, as it
23 existed on January 1, 2006, or, if the district would have been
24 subject to Chapter 41, as that chapter existed on January 1, 2006,
25 the amount to which the district would have been entitled under that
26 chapter, based on the funding elements in effect for the 2005-2006
27 school year, if the district imposed a maintenance and operations

1 tax at the rate equal to the rate described by Section 26.08(i) or
2 (k)(1), Tax Code, as applicable, for the 2006 tax year.

3 (b) In determining the amount to which a district is
4 entitled under Subsection (a), the commissioner shall include:

5 (1) any amounts described by Rider 69, page III-19,
6 Chapter 1369, Acts of the 79th Legislature, Regular Session, 2005
7 (the General Appropriations Act);

8 (2) for a school district that received additional
9 revenue for the 2005-2006 school year as a result of an agreement
10 under Subchapter E, Chapter 41, the amount of that additional
11 revenue, which is the amount by which the total maintenance and
12 operations revenue available to the district exceeded the total
13 maintenance and operations revenue that would have been available
14 to the district if the district had not entered into the agreement
15 and had imposed a maintenance and operations tax at the rate of
16 \$1.50 on the \$100 valuation of taxable property;

17 (3) any amount necessary to reflect an adjustment made
18 by the commissioner under Section 42.005;

19 (4) any amount necessary to reflect an adjustment made
20 by the commissioner under Section 42.2521; and

21 (5) any amount necessary to reflect an adjustment made
22 by the commissioner under Section 42.2531.

23 (c) The amount of revenue to which a school district is
24 entitled because of the technology allotment under Section 32.005
25 is not included in making a determination under Subsection (a).

26 (d) For purposes of determining the amount of revenue to
27 which a school district is entitled under this section, the

1 commissioner shall use the average tax collection rate for the
2 district for the 2003, 2004, and 2005 tax years.

3 (e) If a school district adopts a maintenance and operations
4 tax rate that is below the rate equal to 88.67 percent of the
5 maintenance and operations tax rate adopted by the district for the
6 2005 tax year, the commissioner shall reduce the district's
7 entitlement under this section in proportion to the amount by which
8 the adopted rate is less than the rate equal to 88.67 percent of the
9 rate adopted by the district for the 2005 tax year.

10 (f) A school district that is required to take action under
11 Chapter 41 to reduce its wealth per student to the equalized wealth
12 level and that is entitled to state revenue under this section may
13 receive that revenue through an adjustment against the total amount
14 of attendance credits required to be purchased under Subchapter D,
15 Chapter 41, or the total number of nonresident students required to
16 be educated under Subchapter E, Chapter 41, as determined by the
17 commissioner.

18 (g) If a school district imposes a maintenance and
19 operations tax at a rate greater than the rate equal to 88.67
20 percent of the maintenance and operations tax rate adopted by the
21 district for the 2005 tax year, the commissioner may not reduce the
22 amount to which the district is entitled under this section on the
23 basis of the additional revenue collected by the district.

24 (h) The commissioner may adopt rules necessary to
25 administer this section.

26 (i) The commissioner shall determine the amount of state
27 funds to which a school district is entitled under this section.

1 The commissioner shall provide these additional amounts by
2 increasing the guaranteed level under Section 42.302, the basic
3 allotment under Section 42.101, and the equalized wealth level
4 under Section 41.002, so that all three formula elements provide
5 the same yield per penny of tax effort, and continuing to increase
6 these formula elements proportionately so as to provide school
7 districts the amounts required under this section as much as
8 possible through the formula adjustments while minimizing
9 "hold-harmless" amounts outside of the formulas. The total amount
10 of state funds under this section shall be limited such that the
11 changes in state law made by H.B. 1, Acts of the 79th Legislature,
12 3rd Called Session, shall not exceed \$2,385,800,000. The
13 commissioner's determination is final and may not be appealed.

14 Sec. 42.261. CERTAIN FUNDS APPROPRIATED FOR PURPOSE OF TAX
15 REDUCTION. (a) Funds appropriated by the legislature for a tax
16 year for the purpose of reducing a school district's maintenance
17 and operations tax rate and providing state aid under Section
18 42.2516:

19 (1) are not excess funds for purposes of Section
20 42.2517;

21 (2) are not available for purposes of Section 42.2521
22 or 42.2522;

23 (3) may not be used for purposes of Chapter 46; and

24 (4) may not be provided by the commissioner to a school
25 district for a purpose other than reduction of the district's
26 maintenance and operations tax rate.

27 (b) The commissioner may adopt rules necessary to

1 administer this section.

2 SECTION 1.04. Section 42.302(a), Education Code, is amended
3 to read as follows:

4 (a) Each school district is guaranteed a specified amount
5 per weighted student in state and local funds for each cent of tax
6 effort over that required for the district's local fund assignment
7 up to the maximum level specified in this subchapter. The amount of
8 state support, subject only to the maximum amount under Section
9 42.303, is determined by the formula:

10
$$\text{GYA} = (\text{GL} \times \text{WADA} \times \text{DTR} \times 100) - \text{LR}$$

11 where:

12 "GYA" is the guaranteed yield amount of state funds to be
13 allocated to the district;

14 "GL" is the dollar amount guaranteed level of state and local
15 funds per weighted student per cent of tax effort, which is \$27.14,
16 plus an amount determined under Section 42.2516(i), or a greater
17 amount for any year provided by appropriation;

18 "WADA" is the number of students in weighted average daily
19 attendance, which is calculated by dividing the sum of the school
20 district's allotments under Subchapters B and C, less any allotment
21 to the district for transportation, any allotment under Section
22 42.158, and 50 percent of the adjustment under Section 42.102, by
23 the basic allotment for the applicable year;

24 "DTR" is the district enrichment tax rate of the school
25 district, which is determined by subtracting the amounts specified
26 by Subsection (b) from the total amount of maintenance and
27 operations taxes collected by the school district for the

1 applicable school year and dividing the difference by the quotient
2 of the district's taxable value of property as determined under
3 Subchapter M, Chapter 403, Government Code, or, if applicable,
4 under Section 42.2521, divided by 100; and

5 "LR" is the local revenue, which is determined by multiplying
6 "DTR" by the quotient of the district's taxable value of property as
7 determined under Subchapter M, Chapter 403, Government Code, or, if
8 applicable, under Section 42.2521, divided by 100.

9 SECTION 1.05. Section 42.302, Education Code, is amended by
10 adding Subsection (f) to read as follows:

11 (f) If a school district imposes a maintenance and
12 operations tax at a rate greater than the rate equal to 88.67
13 percent of the maintenance and operations tax rate adopted by the
14 district for the 2005 tax year, the district is entitled to receive
15 an allotment under this section on the basis of that greater tax
16 effort.

17 SECTION 1.06. Section 21.402(a), Education Code, is amended
18 to read as follows:

19 (a) Except as provided by Subsection (d), (e), or (f), a
20 school district must pay each classroom teacher, full-time
21 librarian, full-time counselor certified under Subchapter B, or
22 full-time school nurse not less than the minimum monthly salary,
23 based on the employee's level of experience, determined by the
24 following formula:

$$MS = SF \times FS$$

25 where:

26 "MS" is the minimum monthly salary;

1 "SF" is the applicable salary factor specified by Subsection
2 (c); and

3 "FS" is the amount, as determined by the commissioner under
4 Subsection (b), of state and local funds per weighted student,
5 including funds provided under Section 42.2516, available to a
6 district eligible to receive state assistance under Section 42.302
7 with a maintenance and operations [~~an enrichment~~] tax rate of \$1.33
8 on the \$100 valuation of taxable property [~~, as defined by Section~~
9 ~~42.302, equal to the maximum rate authorized under Section~~
10 ~~42.303~~], except that the amount of state and local funds per
11 weighted student does not include the amount attributable to the
12 increase in the guaranteed level made by Chapter 1187 [~~H.B. No.~~
13 ~~3343~~], Acts of the 77th Legislature, Regular Session, 2001.

14 SECTION 1.07. Section 30.003, Education Code, is amended by
15 adding Subsection (f-1) to read as follows:

16 (f-1) The commissioner shall determine the total amount
17 that the Texas School for the Blind and Visually Impaired and the
18 Texas School for the Deaf would have received from school districts
19 in accordance with this section if __.B. No. ____, Acts of the 79th
20 Legislature, 3rd Called Session, 2006, had not reduced the
21 districts' share of the cost of providing education services. That
22 amount, minus any amount the schools do receive from school
23 districts, shall be set aside as a separate account in the
24 foundation school fund and appropriated to those schools for
25 educational purposes.

26 SECTION 1.08. Section 44.004, Education Code, is amended by
27 adding Subsection (c-1) to read as follows:

1 (c-1) The notice described by Subsection (c) must state in a
2 distinct row or on a separate or individual line for each of the
3 following taxes:

4 (1) the proposed rate of the school district's
5 maintenance tax described by Section 45.003, under the heading
6 "Maintenance Tax"; and

7 (2) if the school district has issued ad valorem tax
8 bonds under Section 45.001, the proposed rate of the tax to pay for
9 the bonds, under the heading "School Debt Service Tax Approved by
10 Local Voters".

11 SECTION 1.09. Section 26.08, Tax Code, is amended by
12 amending Subsections (i) and (k) and adding Subsections (n), (o),
13 (p), and (q) to read as follows:

14 (i) For purposes of this section, the effective maintenance
15 and operations [~~rollback~~] tax rate of a school district is [~~the sum~~
16 ~~of:~~

17 [~~(1)~~] the tax rate that, applied to the current total
18 value for the district, would impose taxes in an amount that, when
19 added to state funds that would be distributed to the district under
20 Chapter 42, Education Code, for the school year beginning in the
21 current tax year using that tax rate, would provide the same amount
22 of state funds distributed under Chapter 42 and maintenance and
23 operations taxes of the district per student in weighted average
24 daily attendance for that school year that would have been
25 available to the district in the preceding year if the funding
26 elements for Chapters 41 and 42, Education Code, for the current
27 year had been in effect for the preceding year[+]

1 ~~[(2) the rate of \$0.06 per \$100 of taxable value, and~~
2 ~~[(3) the district's current debt rate].~~

3 (k) For purposes of this section, for the [~~2003, 2004,~~
4 ~~2005,~~] 2006, 2007, or 2008 tax year, for a school district that is
5 entitled to state funds under Sections 1581.1015(d), (e), and (f)
6 ~~[Section 4(a-1), (a-2), (a-3), (a-4), (a-5), or (a-6), Article~~
7 ~~3.50-9]~~, Insurance Code, the effective maintenance and operations
8 ~~[rollback]~~ tax rate of the district is the sum of:

9 (1) the tax rate that, applied to the current total
10 value for the district, would impose taxes in an amount that, when
11 added to state funds that would be distributed to the district under
12 Chapter 42, Education Code, for the school year beginning in the
13 current tax year using that tax rate, would provide the same amount
14 of state funds distributed under Chapter 42 and maintenance and
15 operations taxes of the district per student in weighted average
16 daily attendance for that school year that would have been
17 available to the district in the preceding year if the funding
18 elements for Chapters 41 and 42, Education Code, for the current
19 year had been in effect for the preceding year; and

20 (2) the tax rate that, applied to the current total
21 value for the district, would impose taxes in the amount that, when
22 added to state funds that would be distributed to the district under
23 Chapter 42, Education Code, for the school year beginning in the
24 current tax year using that tax rate, permits the district to comply
25 with Section 1581.052 [~~3, Article 3.50-9]~~, Insurance Code[~~+~~

26 ~~[(3) the rate of \$0.06 per \$100 of taxable value, and~~
27 ~~[(4) the district's current debt rate].~~

1 (n) For purposes of this section, the rollback tax rate of a
2 school district whose maintenance and operations tax rate for the
3 2005 tax year was less than \$1.50 per \$100 of taxable value is:

4 (1) for the 2006 tax year, the sum of:

5 (A) the lesser of the following tax rates:

6 (i) the rate of \$1.36 per \$100 of taxable
7 value; or

8 (ii) the sum of the following tax rates:

9 (a) the rate that is equal to 88.67
10 percent of the maintenance and operations tax rate adopted by the
11 district for the 2005 tax year; and

12 (b) the rate of \$0.06 per \$100 of
13 taxable value; and

14 (B) the district's current debt rate; and

15 (2) for the 2007 and subsequent tax years, the
16 following tax rate, as applicable:

17 (A) if in the 2006 or any subsequent tax year the
18 district adopted a maintenance and operations tax rate of at least
19 \$1.36 per \$100 of taxable value, the sum of:

20 (i) the lesser of the following tax rates:

21 (a) the highest maintenance and
22 operations tax rate adopted by the district in any of those years;
23 or

24 (b) the sum of the following tax
25 rates:

26 (1) the effective maintenance
27 and operations tax rate of the district as computed under

1 Subsection (i) or (k), as applicable; and

2 (2) the rate of \$0.06 per \$100 of
3 taxable value; and

4 (ii) the district's current debt rate; or

5 (B) if in the 2006 and each subsequent tax year
6 the district adopted a maintenance and operations tax rate of less
7 than \$1.36 per \$100 of taxable value, the sum of:

8 (i) the lesser of the following tax rates:

9 (a) the rate of \$1.36 per \$100 of
10 taxable value; or

11 (b) the sum of the following tax
12 rates:

13 (1) the effective maintenance
14 and operations tax rate of the district as computed under
15 Subsection (i) or (k), as applicable; and

16 (2) the rate of \$0.06 per \$100 of
17 taxable value; and

18 (ii) the district's current debt rate.

19 (o) For purposes of this section, the rollback tax rate of a
20 school district whose maintenance and operations tax rate for the
21 2005 tax year was \$1.50 per \$100 of taxable value is:

22 (1) for the 2006 tax year, the sum of:

23 (A) \$1.36 per \$100 of taxable value; and

24 (B) the district's current debt rate; and

25 (2) for the 2007 and subsequent tax years, the sum of:

26 (A) the lesser of the following tax rates:

27 (i) the highest maintenance and operations

1 tax rate adopted by the district in the 2006 or any subsequent tax
2 year; or

3 (ii) the sum of the following tax rates:

4 (a) the effective maintenance and
5 operations tax rate of the district as computed under Subsection
6 (i) or (k), as applicable; and

7 (b) the rate of \$0.06 per \$100 of
8 taxable value; and

9 (B) the district's current debt rate.

10 (p) For purposes of this section, the rollback tax rate of a
11 school district permitted by special law on April 1, 2006, to impose
12 a maintenance and operations tax at a rate greater than \$1.50 per
13 \$100 of taxable value is:

14 (1) for the 2006 tax year, the sum of:

15 (A) the rate that is equal to 88.67 percent of the
16 maintenance and operations tax rate adopted by the district for the
17 2005 tax year;

18 (B) the rate of \$0.03 per \$100 of taxable value;

19 and

20 (C) the district's current debt rate; and

21 (2) for the 2007 and subsequent tax years, the sum of:

22 (A) the lesser of the following tax rates:

23 (i) the highest maintenance and operations
24 tax rate adopted by the district in the 2006 or any subsequent tax
25 year; or

26 (ii) the sum of the following tax rates:

27 (a) the effective maintenance and

1 operations tax rate of the district as computed under Subsection
2 (i) or (k), as applicable; and

3 (b) the rate of \$0.06 per \$100 of
4 taxable value; and

5 (B) the district's current debt rate.

6 (g) Notwithstanding Section 45.003, Education Code, or any
7 other law, a school district described by Subsection (p) may not
8 adopt a maintenance and operations tax rate that exceeds the sum of
9 the tax rate described by Subsection (p)(1)(A) and \$0.17 per \$100 of
10 taxable value.

11 SECTION 1.10. (a) Section 31.01(c), Tax Code, as amended by
12 Chapters 1255 and 1368, Acts of the 79th Legislature, Regular
13 Session, 2005, is reenacted and amended to read as follows:

14 (c) The tax bill or a separate statement accompanying the
15 tax bill shall:

16 (1) identify the property subject to the tax;

17 (2) state the appraised value, assessed value, and
18 taxable value of the property;

19 (3) if the property is land appraised as provided by
20 Subchapter C, D, E, or H, Chapter 23, state the market value and the
21 taxable value for purposes of deferred or additional taxation as
22 provided by Section 23.46, 23.55, 23.76, or 23.9807, as applicable;

23 (4) state the assessment ratio for the unit;

24 (5) state the type and amount of any partial exemption
25 applicable to the property, indicating whether it applies to
26 appraised or assessed value;

27 (6) state the total tax rate for the unit;

1 (7) state the amount of tax due, the due date, and the
2 delinquency date;

3 (8) explain the payment option and discounts provided
4 by Sections 31.03 and 31.05, if available to the unit's taxpayers,
5 and state the date on which each of the discount periods provided by
6 Section 31.05 concludes, if the discounts are available;

7 (9) state the rates of penalty and interest imposed
8 for delinquent payment of the tax; and

9 (10) include the name and telephone number of the
10 assessor for the unit and, if different, of the collector for the
11 unit[+]

12 ~~[(11) for real property, state for the current tax~~
13 ~~year and each of the preceding five tax years:]~~

14 ~~[(A) the appraised value and taxable value of the~~
15 ~~property,]~~

16 ~~[(B) the total tax rate for the unit,]~~

17 ~~[(C) the amount of taxes imposed on the property~~
18 ~~by the unit, and~~

19 ~~[(D) the difference, expressed as a percent~~
20 ~~increase or decrease, as applicable, in the amount of taxes imposed~~
21 ~~on the property by the unit compared to the amount imposed for the~~
22 ~~preceding tax year,]~~

23 ~~[(11) for real property, state the differences,~~
24 ~~expressed as a percent increase or decrease, as applicable, in the~~
25 ~~following for the current tax year as compared to the fifth tax year~~
26 ~~before that tax year:]~~

27 ~~[(A) the appraised value of the property, and~~

1 ~~[(B) the amount of taxes imposed on the property~~
2 ~~by the unit; and~~

3 ~~[(12) for real property, state the differences,~~
4 ~~expressed as a percent increase or decrease, as applicable, in the~~
5 ~~following for the current tax year as compared to the fifth tax year~~
6 ~~before that tax year:~~

7 ~~[(A) the appraised value and taxable value of the~~
8 ~~property;~~

9 ~~[(B) the total tax rate for the unit; and~~

10 ~~[(C) the amount of taxes imposed on the property~~
11 ~~by the unit; and~~

12 ~~[(13) include any other information required by the~~
13 ~~comptroller].~~

14 (b) Section 31.01, Tax Code, is amended by adding Subsection
15 (d-1) to read as follows:

16 (d-1) This subsection applies only to a school district. In
17 addition to stating the total tax rate for the school district, the
18 tax bill or the separate statement shall separately state:

19 (1) the maintenance and operations rate of the school
20 district;

21 (2) if the school district has outstanding debt, as
22 defined by Section 26.012, the debt rate of the district;

23 (3) the maintenance and operations rate of the school
24 district for the preceding tax year;

25 (4) if for the current tax year the school district
26 imposed taxes for debt, as defined by Section 26.012, the debt rate
27 of the district for the current tax year;

1 (5) if for the preceding tax year the school district
2 imposed taxes for debt, as defined by Section 26.012, the debt rate
3 of the district for that year; and

4 (6) the total tax rate of the district for the
5 preceding tax year.

6 (c) Section 31.01(c-1), Tax Code, as added by Chapter 1255,
7 Acts of the 79th Legislature, Regular Session, 2005, is repealed.

8 (d) Section 31.01(c-1), Tax Code, as added by Chapter 1368,
9 Acts of the 79th Legislature, Regular Session, 2005, is repealed.

10 (e) Notwithstanding Section 4.01 of this Act, the change in
11 law made by this section applies only to an ad valorem tax bill that
12 is mailed on or after the effective date of this Act.

13 (f) If this Act is passed by the legislature without
14 receiving a vote of two-thirds of all the members elected to each
15 house and is approved by the governor, any action taken before the
16 effective date of this Act in preparation for the implementation of
17 the amendment made by this Act to Section 31.01, Tax Code, by an
18 officer or employee of a taxing unit that the officer or employee
19 determines is necessary or appropriate and that the officer or
20 employee would have been authorized to take had this section been in
21 effect at the time of the action is validated as of the effective
22 date of this Act. A tax bill or separate statement accompanying the
23 tax bill mailed before the effective date of this section that is in
24 compliance with Section 31.01, Tax Code, as amended by this Act, is
25 validated as of the effective date of this Act.

26 SECTION 1.11. Section 311.013, Tax Code, is amended by
27 adding Subsection (n) to read as follows:

1 (n) This subsection applies only to a school district whose
2 taxable value computed under Section 403.302(d), Government Code,
3 is reduced in accordance with Subdivision (5) of that subsection.
4 In addition to the amount otherwise required to be paid into the tax
5 increment fund, the district shall pay into the fund an amount equal
6 to the amount by which the amount of taxes the district would have
7 been required to pay into the fund in the current year if the
8 district levied taxes at the rate the district levied in 2005
9 exceeds the amount the district is otherwise required to pay into
10 the fund in the year of the reduction, not to exceed the amount the
11 school district realizes from the reduction in the school
12 district's taxable value under Section 403.302(d)(5), Government
13 Code.

14 SECTION 1.12. Section 403.302, Government Code, is amended
15 by amending Subsections (d) and (i) and adding Subsection (d-1) to
16 read as follows:

17 (d) For the purposes of this section, "taxable value" means
18 the market value of all taxable property less:

19 (1) the total dollar amount of any residence homestead
20 exemptions lawfully granted under Section 11.13(b) or (c), Tax
21 Code, in the year that is the subject of the study for each school
22 district;

23 (2) one-half of the total dollar amount of any
24 residence homestead exemptions granted under Section 11.13(n), Tax
25 Code, in the year that is the subject of the study for each school
26 district;

27 (3) the total dollar amount of any exemptions granted

1 before May 31, 1993, within a reinvestment zone under agreements
2 authorized by Chapter 312, Tax Code;

3 (4) subject to Subsection (e), the total dollar amount
4 of any captured appraised value of property that:

5 (A) is within a reinvestment zone created on or
6 before May 31, 1999, or is proposed to be included within the
7 boundaries of a reinvestment zone as the boundaries of the zone and
8 the proposed portion of tax increment paid into the tax increment
9 fund by a school district are described in a written notification
10 provided by the municipality or the board of directors of the zone
11 to the governing bodies of the other taxing units in the manner
12 provided by Section 311.003(e), Tax Code, before May 31, 1999, and
13 within the boundaries of the zone as those boundaries existed on
14 September 1, 1999, including subsequent improvements to the
15 property regardless of when made;

16 (B) generates taxes paid into a tax increment
17 fund created under Chapter 311, Tax Code, under a reinvestment zone
18 financing plan approved under Section 311.011(d), Tax Code, on or
19 before September 1, 1999; and

20 (C) is eligible for tax increment financing under
21 Chapter 311, Tax Code;

22 (5) for a school district for which a deduction from
23 taxable value is made under Subdivision (4), an amount equal to the
24 taxable value required to generate revenue when taxed at the school
25 district's current tax rate in an amount that, when added to the
26 taxes of the district paid into a tax increment fund as described by
27 Subdivision (4)(B), is equal to the total amount of taxes the

1 district would have paid into the tax increment fund if the district
2 levied taxes at the rate the district levied in 2005;

3 (6) the total dollar amount of any exemptions granted
4 under Section 11.251, Tax Code;

5 (7) [~~(6)~~] the difference between the comptroller's
6 estimate of the market value and the productivity value of land that
7 qualifies for appraisal on the basis of its productive capacity,
8 except that the productivity value estimated by the comptroller may
9 not exceed the fair market value of the land;

10 (8) [~~(7)~~] the portion of the appraised value of
11 residence homesteads of individuals who receive a tax limitation
12 under Section 11.26, Tax Code, on which school district taxes are
13 not imposed in the year that is the subject of the study, calculated
14 as if the residence homesteads were appraised at the full value
15 required by law;

16 (9) [~~(8)~~] a portion of the market value of property
17 not otherwise fully taxable by the district at market value because
18 of:

19 (A) action required by statute or the
20 constitution of this state that, if the tax rate adopted by the
21 district is applied to it, produces an amount equal to the
22 difference between the tax that the district would have imposed on
23 the property if the property were fully taxable at market value and
24 the tax that the district is actually authorized to impose on the
25 property, if this subsection does not otherwise require that
26 portion to be deducted; or

27 (B) action taken by the district under Subchapter

1 B or C, Chapter 313, Tax Code;

2 (10) [~~(9)~~] the market value of all tangible personal
3 property, other than manufactured homes, owned by a family or
4 individual and not held or used for the production of income;

5 (11) [~~(10)~~] the appraised value of property the
6 collection of delinquent taxes on which is deferred under Section
7 33.06, Tax Code;

8 (12) [~~(11)~~] the portion of the appraised value of
9 property the collection of delinquent taxes on which is deferred
10 under Section 33.065, Tax Code; and

11 (13) [~~(12)~~] the amount by which the market value of a
12 residence homestead to which Section 23.23, Tax Code, applies
13 exceeds the appraised value of that property as calculated under
14 that section.

15 (d-1) For a school district for which in the 2005 tax year a
16 deduction from taxable value is made under Subsection (d)(4), the
17 comptroller shall certify to the commissioner of education a final
18 taxable value for the 2005 tax year, calculated as if the reduction
19 in the school district's ad valorem tax rate and the method of
20 calculating the amount of the deduction from taxable value under
21 Subsection (d)(5) required by __.B. No. ____, Acts of the 79th
22 Legislature, 3rd Called Session, 2006, took effect September 1,
23 2005. This subsection expires September 1, 2007.

24 (i) If the comptroller determines in the annual study that
25 the market value of property in a school district as determined by
26 the appraisal district that appraises property for the school
27 district, less the total of the amounts and values listed in

1 Subsection (d) as determined by that appraisal district, is valid,
 2 the comptroller, in determining the taxable value of property in
 3 the school district under Subsection (d), shall for purposes of
 4 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as
 5 determined by the appraisal district of residence homesteads to
 6 which Section 23.23, Tax Code, applies the amount by which that
 7 amount exceeds the appraised value of those properties as
 8 calculated by the appraisal district under Section 23.23, Tax Code.
 9 If the comptroller determines in the annual study that the market
 10 value of property in a school district as determined by the
 11 appraisal district that appraises property for the school district,
 12 less the total of the amounts and values listed in Subsection (d) as
 13 determined by that appraisal district, is not valid, the
 14 comptroller, in determining the taxable value of property in the
 15 school district under Subsection (d), shall for purposes of
 16 Subsection (d)(13) [~~(d)(12)~~] subtract from the market value as
 17 estimated by the comptroller of residence homesteads to which
 18 Section 23.23, Tax Code, applies the amount by which that amount
 19 exceeds the appraised value of those properties as calculated by
 20 the appraisal district under Section 23.23, Tax Code.

21 SECTION 1.13. (a) Section 11.26, Tax Code, is amended by
 22 adding Subsections (a-1) and (a-2) to read as follows:

23 (a-1) Notwithstanding the other provisions of this section
 24 and except as provided by Subsection (a-2), if in the current tax
 25 year an individual qualifies for a limitation on tax increases
 26 provided by this section on the individual's residence homestead
 27 and the individual or the individual's spouse qualified for an

1 exemption under Section 11.13(c) for the same homestead in the
2 preceding tax year, the amount of the limitation provided by this
3 section on the homestead in the current tax year is equal to the
4 lesser of:

5 (1) the amount computed by:

6 (A) multiplying the amount of tax the school
7 district imposed on the homestead in the preceding tax year by the
8 lesser of one or a fraction the numerator of which is the tax rate of
9 the district for the current tax year and the denominator of which
10 is the tax rate of the district for the preceding tax year; and

11 (B) adding to the amount computed under Paragraph
12 (A) any tax in the current tax year attributable to improvements
13 made in the preceding tax year, as provided by Subsection (b); or

14 (2) the amount of the limitation on tax increases on
15 the homestead as otherwise provided by this section.

16 (a-2) Notwithstanding the other provisions of this section,
17 if in the 2007 tax year an individual qualifies for a limitation on
18 tax increases provided by this section on the individual's
19 residence homestead and the first tax year the individual or the
20 individual's spouse qualified for an exemption under Section
21 11.13(c) for the same homestead was a tax year before the 2006 tax
22 year, the amount of the limitation provided by this section on the
23 homestead in the 2007 tax year is equal to the amount computed by:

24 (1) multiplying the amount of tax the school district
25 imposed on the homestead in the 2005 tax year by the lesser of one or
26 a fraction the numerator of which is the tax rate of the district
27 for the 2006 tax year and the denominator of which is the tax rate of

1 the district for the 2005 tax year;

2 (2) adding to the amount computed under Subdivision
3 (1) any tax in the 2006 tax year attributable to improvements made
4 in the 2005 tax year, as provided by Subsection (b);

5 (3) multiplying the amount computed under Subdivision
6 (2) by the lesser of one or a fraction the numerator of which is the
7 tax rate of the district for the 2007 tax year and the denominator
8 of which is the tax rate of the district for the 2006 tax year; and

9 (4) adding to the amount computed under Subdivision
10 (3) any tax in the 2007 tax year attributable to improvements made
11 in the 2006 tax year, as provided by Subsection (b).

12 (b) Section 42.2511(a), Education Code, is amended to read
13 as follows:

14 (a) Notwithstanding any other provision of this chapter, a
15 school district is entitled to additional state aid to the extent
16 that state aid under this chapter based on the determination of the
17 school district's taxable value of property as provided under
18 Subchapter M, Chapter 403, Government Code, does not fully
19 compensate the district for ad valorem tax revenue lost due to:

20 (1) the increase in the homestead exemption under
21 Section 1-b(c), Article VIII, Texas Constitution, as proposed by
22 H.J.R. No. 4, 75th Legislature, Regular Session, 1997, and the
23 additional limitation on tax increases under Section 1-b(d),
24 Article VIII, Texas Constitution, as proposed by H.J.R. No. 4, 75th
25 Legislature, Regular Session, 1997; and

26 (2) the reduction of the limitation on tax increases
27 to reflect any reduction in the school district tax rate as provided

1 by Section 11.26(a-1) or (a-2), Tax Code, as applicable.

2 (c) Section 403.302, Government Code, is amended by
3 amending Subsection (j) and adding Subsection (j-1) to read as
4 follows:

5 (j) For purposes of Section 42.2511, Education Code, the
6 comptroller shall certify to the commissioner of education:

7 (1) a final value for each school district computed on
8 a residence homestead exemption under Section 1-b(c), Article VIII,
9 Texas Constitution, of \$5,000; ~~and~~

10 (2) a final value for each school district computed
11 on:

12 (A) a residence homestead exemption under
13 Section 1-b(c), Article VIII, Texas Constitution, of \$15,000; and

14 (B) the effect of the additional limitation on
15 tax increases under Section 1-b(d), Article VIII, Texas
16 Constitution, as proposed by H.J.R. No. 4, 75th Legislature,
17 Regular Session, 1997; and

18 (3) a final value for each school district computed on
19 the effect of the reduction of the limitation on tax increases to
20 reflect any reduction in the school district tax rate as provided by
21 Section 11.26(a-1) or (a-2), Tax Code, as applicable.

22 (j-1) For purposes of applying Subsection (j)(3) in the
23 2007-2008 school year, the comptroller shall compute the final
24 value under that subsection as if the reduction of the limitation on
25 tax increases to reflect any reduction in the school district tax
26 rate as provided by Section 11.26(a-1) or (a-2), Tax Code, as
27 applicable, had taken effect in the 2006 tax year. This subsection

1 expires September 1, 2008.

2 (d) This section applies only to an ad valorem tax year that
3 begins on or after January 1, 2007.

4 (e) This section takes effect January 1, 2007, but only if
5 the constitutional amendment proposed by the 79th Legislature, 3rd
6 Called Session, 2006, authorizing the legislature to provide for a
7 reduction of the limitation on the total amount of ad valorem taxes
8 that may be imposed for public school purposes on the residence
9 homesteads of the elderly or disabled to reflect any reduction in
10 the rate of those taxes is approved by the voters. If that
11 amendment is not approved by the voters, this section has no effect.

12 SECTION 1.14. (a) Not later than September 1, 2006, the
13 secretary of state shall:

14 (1) prepare a notice that includes a brief explanation
15 of the property tax reduction provisions of this Act; and

16 (2) distribute a copy of the notice to the tax assessor
17 for each school district in this state.

18 (b) On October 1, 2006, or as soon thereafter as
19 practicable, the tax assessor for each school district in this
20 state shall mail a copy of the notice to each owner of taxable
21 property as shown on the appraisal roll for the school district.
22 The tax assessor should include a copy of the notice with each tax
23 bill for the school district for the 2006 tax year, if practicable.
24 No statewide official other than the secretary of state shall be
25 authorized to distribute the information required by this section.

26 (c) This section expires January 1, 2007.

ARTICLE 2. FISCAL ACCOUNTABILITY

SECTION 2.01. Chapter 1, Education Code, is amended by adding Section 1.005 to read as follows:

Sec. 1.005. EDUCATION RESEARCH CENTERS; SHARING STUDENT INFORMATION. (a) In this section, "center" means a center for education research authorized by this section.

(b) The commissioner of education and the commissioner of higher education may establish not more than three centers for education research for conducting research described by Subsections (e) and (f).

(c) A center may be established as part of:

(1) the Texas Education Agency;

(2) the Texas Higher Education Coordinating Board; or

(3) a public junior college, public senior college or university, or public state college, as those terms are defined by Section 61.003.

(d) A center may be operated under a memorandum of understanding between the commissioner of education, the commissioner of higher education, and the governing board of an educational institution described by Subsection (c)(3). The memorandum of understanding must require the commissioner of education, or a person designated by the commissioner, and the commissioner of higher education, or a person designated by the commissioner, to provide direct, joint supervision of the center under this section.

(e) A center shall conduct research for the benefit of education in this state, including research relating to the impact

1 of state and federal education programs, the performance of
2 educator preparation programs, public school finance, and the best
3 practices of school districts with regard to classroom instruction,
4 bilingual education programs, special language programs, and
5 business practices.

6 (f) The commissioner of education and the commissioner of
7 higher education:

8 (1) under the memorandum of understanding described by
9 Subsection (d), may require a center to conduct certain research
10 projects considered of particular importance to the state, as
11 determined by the commissioners; and

12 (2) not later than the 45th day before the date a
13 research project required to be conducted under this subsection is
14 scheduled to begin, shall notify the governor, the Legislative
15 Budget Board, and the governing body of the educational institution
16 in which the center is established that the research project is
17 required.

18 (g) In conducting research under this section, a center:

19 (1) may use data on student performance, including
20 data that is confidential under the Family Educational Rights and
21 Privacy Act of 1974 (20 U.S.C. Section 1232g), the center has
22 collected from the Texas Education Agency, the Texas Higher
23 Education Coordinating Board, the Educators' Professional
24 Practices Board, any public or private institution of higher
25 education, and any school district; and

26 (2) shall comply with rules adopted by the
27 commissioner of education and the commissioner of higher education

1 to protect the confidentiality of student information, including
2 rules establishing procedures to ensure that confidential student
3 information is not duplicated or removed from a center in an
4 unauthorized manner.

5 (h) The commissioner of education and the commissioner of
6 higher education may:

7 (1) accept gifts and grants to be used in operating one
8 or more centers; and

9 (2) by rule impose reasonable fees, as appropriate,
10 for the use of a center's research, resources, or facilities.

11 (i) This section does not authorize the disclosure of
12 student information that may not be disclosed under the Family
13 Educational Rights and Privacy Act of 1974 (20 U.S.C. Section
14 1232g).

15 (j) The commissioner of education and the commissioner of
16 higher education shall adopt rules as necessary to implement this
17 section.

18 (k) In implementing this section, the commissioner of
19 education may use funds appropriated to the agency and available
20 for that purpose, including Foundation School Program funds.

21 SECTION 2.02. Subchapter A, Chapter 7, Education Code, is
22 amended by adding Sections 7.008 and 7.009 to read as follows:

23 Sec. 7.008. PUBLIC ACCESS TO PEIMS DATA. (a) The
24 commissioner with the assistance of an advisory panel described by
25 Subsection (b) shall develop a request for proposal for a qualified
26 third-party contractor to develop and implement procedures to make
27 available, through the agency Internet website, all financial and

1 academic performance data submitted through the Public Education
2 Information Management System (PEIMS) for school districts and
3 campuses.

4 (b) The commissioner shall appoint an advisory panel to
5 assist the commissioner in developing requirements for a system
6 that is easily accessible by the general public and contains
7 information of primary relevance to the public. The advisory panel
8 shall consist of:

- 9 (1) educators;
- 10 (2) interested stakeholders;
- 11 (3) business leaders; and
- 12 (4) other interested members of the public.

13 (c) The procedures developed under this section must
14 provide:

15 (1) a summarized format easily understood by the
16 public for reporting financial and academic performance
17 information on the agency Internet website; and

18 (2) the ability for those who access the Internet
19 website to view and download state, district, and campus level
20 information.

21 (d) This section does not authorize the disclosure of
22 student information that may not be disclosed under the Family
23 Educational Rights and Privacy Act of 1974 (20 U.S.C. Section
24 1232g). The commissioner shall adopt rules to protect the
25 confidentiality of student information.

26 (e) The procedures to make available, through the agency
27 Internet website, all financial and academic performance

1 information for school districts and campuses as described by this
2 section shall be implemented not later than August 1, 2007. This
3 subsection expires August 1, 2009.

4 Sec. 7.009. BEST PRACTICES; CLEARINGHOUSE. (a) In
5 coordination with the Legislative Budget Board, the agency shall
6 establish an online clearinghouse of information relating to best
7 practices of campuses and school districts regarding instruction,
8 public school finance, resource allocation, and business
9 practices. To the extent practicable, the agency shall ensure that
10 information provided through the online clearinghouse is specific,
11 actionable information relating to the best practices of
12 high-performing and highly efficient campuses and school districts
13 rather than general guidelines relating to campus and school
14 district operation. The information must be accessible by campuses,
15 school districts, and interested members of the public.

16 (b) The agency shall solicit and collect from the
17 Legislative Budget Board, centers for education research
18 established under Section 1.005, and exemplary or recognized school
19 districts and open-enrollment charter schools, as rated under
20 Section 39.072, examples of best practices relating to instruction,
21 public school finance, resource allocation, and business
22 practices, including best practices relating to curriculum, scope
23 and sequence, compensation and incentive systems, bilingual
24 education and special language programs, compensatory education
25 programs, and the effective use of instructional technology,
26 including online courses.

27 (c) The agency shall contract for the services of one or

1 more third-party contractors to develop, implement, and maintain a
2 system of collecting and evaluating the best practices of campuses
3 and school districts as provided by this section. In addition to
4 any other considerations required by law, the agency must consider
5 an applicant's demonstrated competence and qualifications in
6 analyzing campus and school district practices in awarding a
7 contract under this subsection.

8 (d) The commissioner may purchase from available funds
9 curriculum and other instructional tools identified under this
10 section to provide for use by school districts.

11 SECTION 2.03. Subchapter C, Chapter 7, Education Code, is
12 amended by adding Section 7.061 to read as follows:

13 Sec. 7.061. FUNDING FOR CERTAIN PURPOSES. The
14 commissioner, to the extent not specifically prohibited by state or
15 federal law, shall use federal funds, including consolidated
16 administrative or innovative program funds, for the purposes
17 described by Sections 1.005, 7.008, 7.009, 11.003, 44.0061, and
18 44.011.

19 SECTION 2.04. Subchapter A, Chapter 11, Education Code, is
20 amended by adding Section 11.003 to read as follows:

21 Sec. 11.003. ADMINISTRATIVE EFFICIENCY. (a) Not later
22 than December 1, 2006, the commissioner shall evaluate the
23 feasibility of including a uniform indicator under Section
24 39.202(b) that measures effective administrative management
25 through the use of cooperative shared services arrangements. If
26 the commissioner determines that the adoption of a uniform
27 indicator described by this subsection is feasible, the

1 commissioner by rule shall include the indicator in the financial
2 accountability rating system under Subchapter I, Chapter 39, for
3 school districts beginning with the 2007-2008 school year. This
4 subsection expires September 1, 2009.

5 (b) Each regional education service center shall:

6 (1) notify each school district served by the center
7 regarding the opportunities available through the center for
8 cooperative shared services arrangements within the center's
9 service area; and

10 (2) evaluate the need for cooperative shared services
11 arrangements within the center's service area and consider
12 expanding center-sponsored cooperative shared services
13 arrangements.

14 (c) Each regional education service center shall assist a
15 school district board of trustees in entering into an agreement
16 with another district or political subdivision, a regional
17 education service center, or an institution of higher education as
18 defined by Section 61.003, for a cooperative shared services
19 arrangement regarding administrative services, including
20 transportation, food service, purchasing, and payroll functions.

21 (d) The commissioner may require a district or an
22 open-enrollment charter school to enter into an agreement for a
23 cooperative shared services arrangement if the commissioner
24 determines that the financial management performance of the
25 district or school is unsatisfactory.

26 SECTION 2.05. Subchapter D, Chapter 11, Education Code, is
27 amended by adding Section 11.170 to read as follows:

1 Sec. 11.170. INTERNAL AUDITOR. If a school district
2 employs an internal auditor:

3 (1) the board of trustees shall select the internal
4 auditor; and

5 (2) the internal auditor shall report directly to the
6 board.

7 SECTION 2.06. Subchapter A, Chapter 44, Education Code, is
8 amended by adding Section 44.0041 to read as follows:

9 Sec. 44.0041. PUBLICATION OF SUMMARY OF PROPOSED BUDGET.

10 (a) Concurrently with the publication of notice of the budget under
11 Section 44.004, a school district shall post a summary of the
12 proposed budget:

13 (1) on the school district's Internet website; or

14 (2) if the district has no Internet website, in the
15 district's central administrative office.

16 (b) The budget summary must include:

17 (1) information relating to per student and aggregate
18 spending on:

19 (A) instruction;

20 (B) instructional support;

21 (C) central administration;

22 (D) district operations;

23 (E) debt service; and

24 (F) any other category designated by the
25 commissioner; and

26 (2) a comparison to the previous year's actual
27 spending.

1 SECTION 2.07. Subchapter A, Chapter 44, Education Code, is
2 amended by adding Section 44.0061 to read as follows:

3 Sec. 44.0061. REVIEW OF ACCOUNTING SYSTEM. (a) The
4 commissioner shall contract with a qualified third-party
5 contractor to conduct a comprehensive review of the accounting
6 systems used by school districts under Section 44.007.

7 (b) The third-party contractor conducting the review under
8 this section shall:

9 (1) provide any recommendations relating to the
10 accounting systems to:

11 (A) improve the transparency of district
12 spending behavior;

13 (B) provide more thorough information relating
14 to campus spending; and

15 (C) facilitate program evaluations, including
16 evaluations of compensatory education programs; and

17 (2) evaluate the accounting systems to determine
18 whether any reporting requirements should be adjusted based on
19 district size.

20 (c) Before January 1, 2007, the commissioner shall submit a
21 report to the legislature describing the results of the review
22 conducted under this section.

23 (d) This section expires January 2, 2007.

24 SECTION 2.08. Section 44.007, Education Code, is amended by
25 adding Subsection (e) to read as follows:

26 (e) The State Board of Education shall prepare a report for
27 the 80th Legislature evaluating the benefits of providing school

1 districts with standardized accounting software that would meet the
2 requirements of this section and any other appropriate sections.
3 The report shall consider any savings and costs to school districts
4 from having such software provided, including any savings to
5 districts from no longer paying programming costs in response to
6 changes in state law or agency or State Board of Education rules.
7 The report may consider software accessed by alternative methods,
8 such as web-based methods or network-based methods, as may be most
9 economical for districts of different sizes. The report shall also
10 consider any accountability benefits from making the information
11 collected by such software available on an ongoing basis to the
12 agency and to the public, and personnel and other costs required for
13 the agency to review this information continuously to alert school
14 board members and superintendents of areas of potential waste or
15 fraud. This subsection expires September 1, 2007.

16 SECTION 2.09. Subchapter A, Chapter 44, Education Code, is
17 amended by adding Section 44.011 to read as follows:

18 Sec. 44.011. SPENDING TARGETS FOR DISTRICT EXPENDITURES.

19 (a) The commissioner shall annually establish and publish the
20 proposed expenditures for each school district as determined by the
21 commissioner based on an evaluation of information relating to the
22 best practices of campuses and districts as described by Section
23 7.009. The commissioner shall consider unique characteristics of
24 the district, including the district's size.

25 (b) The proposed expenditures to be determined as required
26 by Subsection (a) must include amounts for:

27 (1) instructional expenditures;

